

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATIONS

Regulation 1567. BANKS AND INSURANCE COMPANIES.

Reference: Sections 6203 and 6352, Revenue and Taxation Code;

Mutual Life Insurance Co. v. City of Los Angeles (1990) 50 Cal.3d 402.

(a) BANKS.

(1) **SALES BY BANKS.** Sales tax applies to the sale by banks, other than federally-chartered banks exempt from direct state taxation under federal law such as federal reserve banks and federal home loan banks, of tangible personal property sold at retail in this state.¹ Use tax applies to the storage, use, or other consumption in this state of tangible personal property purchased at retail from a bank for storage, use, or other consumption in this state, the sale of which is exempt from sales tax. Banks, whether or not exempt from direct state taxation, which are engaged in business in this state and making sales of tangible personal property the storage, use, or other consumption of which is subject to use tax, must collect the tax from the purchaser and pay the amount of tax to the board.

(2) **SALES TO BANKS.** Sales tax applies to the sale to banks, other than federally-chartered banks exempt from direct state taxation under federal law, of tangible personal property sold at retail in this state. Banks, other than federally-chartered banks exempt from direct state taxation under federal law, are required to pay use tax to the same extent and in the same manner as other persons storing, using, or otherwise consuming tangible personal property in this state.¹ Retailers engaged in business in this state and making sales to banks of tangible personal property the storage, use, or other consumption of which is subject to use tax must collect the tax from the purchaser and pay the amount of the tax to the board.

(b) INSURANCE COMPANIES. Sales tax applies to retail sales in this state to insurance companies. Although sales tax does not apply to sales by insurance companies, they are required to collect use tax from consumers when making sales or leases of tangible personal property, and to pay the amount of the tax to the board to the same extent and in the same manner as other retailers selling or renting tangible personal property for storage, use, or other consumption in this state.

Use tax does not apply to the storage, use or other consumption in this state by insurance companies of tangible personal property.

¹Sales and use taxes imposed upon banks with respect to all income years, as defined in Revenue and Taxation Code Section 23042, beginning on and after January 1, 1980.

History: Effective July 1, 1935.

Adopted as of January 1, 1945, as a restatement of previous rulings.

Amended September 2, 1965, applicable as amended August 1, 1965.

Amended and renumbered November 3, 1969, effective December 5, 1969.

Amended August 17, 1976, effective September 19, 1976. Deleted footnote and noted that sales to national banks are taxable, subject to noted exceptions.

Amended and added January 9, 1980, effective February 29, 1980. Added subsections and headings (a) (1), (a) (2), and (b), and footnotes (1) and (2) conforming to new legislation and operative dates.

Amended April 6, 1983, effective July 3, 1983. In subdivision (a) (1), inserted "whether or not exempt from direct state taxation, which are " and deleted "other than federally-chartered banks exempt from direct state taxation under federal law." In subdivision (a) (2), in first sentence inserted "other than federally-chartered banks exempt from direct state taxation under federal law," and deleted footnote 2.

Amended August 4, 1994, effective January 13, 1995. Deleted the phrase "used in the course of their insurance operations" from paragraph (b), effectively implementing the decision in the case of Mutual Life Ins. Co. v. City of Los Angeles 1990 50 Cal.3d 402.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.